

DOCUMENT RESUME

ED 187 777

UD 020 449

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 TITLE The Issue of Resource Equalization: Funding the Education of Economically Disadvantaged Children.
 INSTITUTION Chicago Urban League, Ill. Dept. of Research.
 PUB DATE 77
 NOTE 61p.
 EDRS PRICE MF01/PC03 Plus Postage.
 DESCRIPTORS Board of Education Policy; *Economically Disadvantaged; Elementary Secondary Education; Equal Education; *Equalization Aid; *Financial Policy; Position Papers; *Resource Allocation; *State Aid; State Boards of Education; Urban Education
 IDENTIFIERS *Illinois (Chicago)

ABSTRACT

The State of Illinois appropriates funds according to a resource equalizer formula which allows a district having a large number and a high percentage of economically disadvantaged school children to gain a sizable bonus in State aid, contingent upon a plan to improve instruction. The Chicago Public Schools have received this bonus without submission of a plan for special use of the funds. The Chicago Urban League has taken the position that the equalizer bonus is intended to meet special institutional needs of school children who lack the initial and supportive advantages of more affluent homes. This report is a continuation of the League's effort to provide a substantive argument for such an allocation of the bonus funds. The League presents a rationale and procedure for equalizing resources between expenditures and disadvantaged enrollment and other factors. After a discussion of fund allocation of poverty area schools, reallocation plans are presented along with their impact on class size and school desegregation. Recommendations for State policy are presented. (MK)

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APR 1 - 1980

CHICAGO URBAN LEAGUE

THE ISSUE OF
RESOURCE EQUALIZATION:

FUNDING THE EDUCATION OF ECONOMICALLY DISADVANTAGED CHILDREN

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Spring, 1977

UDO20449

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
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APPENDIX

Chicago public schools currently receive nearly half their total revenue from state appropriations for primary and secondary schools. Most of this support is in the form of general state aid and is calculated according to what's known as the Resource Equalizer Formula. This particular funding formula allows a district having a large number, and high percentage, of economically disadvantaged school children to thereby gain a sizable bonus in state aid. The state law which defines the equalizer formula makes the receipt of this special bonus contingent upon a plan, by the local district, to use the bonus for "the improvement of instruction." The formula has been in effect for three years. But until the beginning of the current year its special provision for disadvantaged pupils had gone without notice or attention by the Chicago school board, and without the awareness of the interested public.

It was at the regular meeting of the Chicago Board of Education on September 29, 1976, that Board Vice President, Mrs. Carey B. Preston, first raised questions and protests about the handling of the state aid generated by the presence of children from low income families. According to estimates for the current school year, such children account for 43% of Chicago schools' total enrollment. Their presence has contributed \$173 million to the local share of appropriations, a bonus which constitutes 44% of the system's income from the state Distributive Fund for general aid.* Since the questions were raised, it has been revealed that the Chicago schools have received and spent this bonus without any special attention to its source, and have not submitted plans for any special use of the funds. Suddenly, and unexpectedly, the system has had added to its other woes the issue of resource equalizer funds. It has developed into

*See Appendix for description of State and local school funds.

a controversy of wide public attention; it has instigated special efforts by local and state authorities, and become the subject of deliberation in the courts. To this point major arguments have concentrated on questions of who is getting or should be getting what amounts of money, and whether state law and administrative regulations require that money drawn to the schools by disadvantaged children be spent solely for their benefit. The nature of current argument results largely from vagueness in the law itself and laxity on the part of state education authorities in meeting regulatory responsibilities. In spite of the three year existence of the law we are only beginning to approach some definition of its intent and the manner of its execution.

In response to the suddenly emergent controversy, Chicago school administrators, under the direction of General Superintendent Joseph Hannon, issued a report which shows the per-pupil expenditure at each school within the system, for several services and programs provided for by the major operating fund of the Board of Education budget. It was at the regular meeting of the board on December 13, 1976, that Supt. Hannon issued the report, along with a separate accounting of how the \$173 million is being spent for the current school year. This second document bears the title "Plan for Improvement of Instruction" and was prepared in response to guidelines hurriedly created by State Superintendent of Education Joseph Cronin in mid-November (1976). Both the per-pupil expenditure report and the plan for improving instruction clearly and openly show that all resource equalizer funds are treated as general operating revenue and spent throughout the system for a variety of purposes.

Along with this admission, Supt. Hannon argued in defense of such a policy, in direct disagreement with at least three members of his own board. Hannon pointed out that the law itself leaves it to the State Superintendent and State Board to determine specific regulations for expenditure of the equalizer bonus for disadvantaged pupils, and that such regulations had not previously been handed down to the local districts. He further contended that the failure of state authorities to give any more specific guidance than is provided in the law itself, leaves that law open to two major interpretations. The first is that the equalizer bonus may be spent for system-wide (or "generic") improvement of instruction. The second interpretation, which the Superintendent has opposed, is that the money is to go entirely to the educational benefit of the disadvantaged pupils who are drawing it.

Dr. Hannon has claimed that to allocate as much as \$173 million in general operating funds solely to pupils from impoverished homes would require severe reductions in the resources available to those children whose families are not poor. So far as we know, he has never publicly and officially argued, in principle, against restricted use of the funds for disadvantaged students. Rather, his resistance to such an allocation of the money has been in defense of past and present policy, on practical grounds; aided and abetted by the vagueness and incompleteness of state law and administrative requirements of the State Office of Education.

Consistent with his argument, Superintendent Hannon's "plan for the improvement of instruction" contains a list of expenditures or

general benefit to all pupils in the system. It is not really a "plan" at all; but more accurately a selection of current appropriations, conveniently totalling \$173 million. The list is drawn up in some accordance with the hastily created guidelines issued by State Superintendent Cronin. By our assessment Cronin's guidelines, which were only temporary, do not require anything more. They do not in themselves clearly state that the money in question must be spent for programs which serve and benefit disadvantaged pupils exclusively. The State Superintendent was apparently caught off guard by this issue, just as much as local administrators. To date, his efforts have been too little and too late.

In sum, we find that Superintendent Hannon's legalistic arguments are all too correct. Technically, he has not violated the law; instead, he has exploited it, both in the way of actually spending the state aid bonus, and in the failure to submit a true plan for the expenditure. Clearly the local administrators cannot take the entire blame for what we regard as an exploitative use of the special financial value of disadvantaged school children. The State Superintendent and State Board have been equally remiss; it is ultimately their responsibility to see to it that state aid dollars be apportioned within the local system pursuant to a well defined educational and administrative policy.

The Urban League Interest in School Funds for the Disadvantaged

From the beginning of our involvement in this issue, the Chicago Urban League has taken the position that the equalizer bonus is intended to meet special institutional needs of school children who lack the initial and supportive advantages of more affluent homes and communities, and the present report is a continuation of the League's effort to provide a sub-

stantive argument for such an allocation of the funds. Our adherence to this position is not so short-sighted, or so parochial, as a simple demand for more school money for what may be considered the Urban League's constituency. Indeed, our direct concern is that the issue being debated by state and local school authorities, and by public interest groups, not be defined as simply a question of how much money is spent on poor children vs. non-poor children, or of how much is spent in one part of the city vs. another. In our view, arguments concerning the specific language of the law and the practical feasibility of differential funding for poor and non-poor students are secondary to more fundamental educational issues. The equalizer bonus will never be properly allocated, unless the board of directors and administrators of Chicago public schools accept and affirm, at a philosophical and conceptual level, that there are special educational needs, and special demands upon formal education institutions, which are associated with economic poverty. They must recognize that this is the status of a very large and growing proportion of the students in this system, and that they may either continue as mere care-takers for such children, or make it a top priority to design and implement programs which might provide them, and the entire city, with some hope for a better future.

The Chicago Urban League is hardly alone in recognizing and stating this special challenge to Chicago public schools. Every year data comes out indicating that, on the average, public school pupils fall well below national norms on tests of basic intellectual skills, and that the picture gets worse, rather than better, as the child continues to "progress" within the system. These depressed achievement levels are largely reflec-

tive of the poverty handicap which besets so many of the children enrolled in the schools, and of the inadequacy of present attempts to meet the special challenge implied.

A consortium of major business and civic interest organizations, represented by the Chicago United organization, has been trying for a few years to impress upon the school board and the general public the connection between a declining economic base within the city and an available work force which is increasingly deficient in basic intellectual skills. They contend that a poorly educated work force puts a burden of education upon corporations themselves, and that rather than bear the added cost of doing the job which should be performed by the city schools, many businesses may flee or avoid locations within the city.

Equally ominous is a growing trend among colleges and universities toward cutting back or totally abandoning special admissions and compensatory programs which have been intended to help disadvantaged young people in overcoming deficits in earlier education. This includes the possibility that the constitutional grounds for such programs may be lost or diminished. A case in point is the recently announced intention of officials at the University of Illinois at Chicago Circle to tighten up on standards for admission and advancement at that university. The University predicts that such a move will most likely have its greatest negative impact upon the sizable number of black and Hispanic students enrolled there. More specifically, its worst effects will be felt by those relatively less affluent young people who have depended almost entirely upon the public schools for basic preparation to enter and complete college courses.

In truth, neither the colleges nor the corporations, can be expected to take unlimited responsibility for what should have been accomplished by primary and secondary schools.

It must be emphasized that the city schools are not entirely without their own models of successful programs for disadvantaged children. A primary example are the Child Parent Centers locally administered under federal funding. The centers have been notably successful at developing the basic skills of children from high poverty neighborhoods to levels which equal those of the more affluent, and which are significantly superior to the norm for their immediate peers. Essential to the success of Child Parent Centers is the recognition that the parents of poor children are not so likely to provide essential support within the home -- a result of their own lack of formal education and general sophistication about child rearing. As such, the program recognizes a very important, concrete and specific feature of what it means to be disadvantaged. With this as a starting point the centers provide a reduced student/teacher ratio and assign professional personnel to the task of educating parents to educate their own children. This sort of thing is not to be found in "normal" school programs, it is an extension of the duties of the formal institution beyond traditional limits.

The kind of educational philosophy and institutional responsibility implied by such programs as Child Parent Centers are likely to require above-average expenditure of financial resources. We contend that as much as \$173 million in state aid to Chicago public schools is granted each year in order to meet such expenses. It is unfortunate that we cannot look forward immediately and with certainty to such an allocation of that

money, and that, for the moment, it must continue to be the subject of public protest.

Because the preliminary practical questions persist, and because surrounding arguments have left many school officials and other interested persons deeply confused, there is some danger that the equalizer funds issue will be "resolved" without having been completely understood. The present research report by the Chicago Urban League addresses itself to three fundamental questions, of practical significance, which are in need of factual clarification:

1. What is the content of the state law providing for equalizer funds and how may it be interpreted as requiring special expenditure for education of disadvantaged children?
2. How are the operating funds of Chicago schools currently being spent, in relation to economic status of children enrolled in the individual schools, and in relation to other factors?
3. What would be the effects of distributing the equalizer bonus among the schools in accordance with disadvantaged pupil enrollments?

The last two questions are the subject of original data analyses performed at the detailed level of 475 individual elementary schools, where 96% of the system's elementary pupils are enrolled. In part, these analyses are responsive to two items which appeared in Supt. Hannon's December 13 report on per-pupil expenditure in the schools.

The Superintendent's report included a claim that "on the average" expenditures in the poverty area schools are higher than in other schools.

Among other facts about variations in current expenditure among the schools, we will show that this particular claim is unfounded.

Secondly, there is the Superintendent's warning that an allocation of the equalizer bonus in accordance with disadvantaged enrollments would result in an intolerable loss of resources for schools with very few or no disadvantaged children. We fully concur that special funds for the instruction of disadvantaged children must not come at severe expense to those who are not poor. Nevertheless, we regard Dr. Hannon's argument about the deleterious effects of redistribution as having been hastily constructed, and as an ill-conceived defense of his own policy. Several weeks ago the Chicago Urban League offered a demonstration, to the public and to Dr. Hannon and the members of the local board, that his argument is without factual basis, and that as such it was grossly misleading and dangerously divisive. With much greater detail and conclusiveness the present report will extend our documentation of possibilities for redistribution of equalizer funds with fairness to all.

Equalizing Resources for Schools: Rationale and Procedure

Beginning with the 1974-75 school year, Illinois public schools have received state funding according to provisions of the Resource Equalizer formula. The formula is described in section 18-8 of the Illinois School Code (Chapter 122 of Illinois Revised Statutes), and provides one method of computing a local system's share of the State Distributive Fund for elementary and secondary public schools. As of the 1975-76 school year, according to the Illinois Office of Education, 98% of general state aid is apportioned to local districts according to the Resource Equalizer formula.

The logic and intent of this formula, as its name indicates, is that the local school districts have equal financial resources as some assurance towards equal educational opportunity for all school children. The national tradition in public school funding has been that local communities support (and control) their own schools through local property taxes. As a result, there has been considerable disparity among local communities in the level of finances affordable for schools -- based on disparities in tax bases, or community wealth. In recent years a national trend has developed in which state-wide funds for education have been put to the purpose of equalizing educational resources among local communities.

The states of California and New Jersey have recently been ordered by their own state supreme courts to institute school funding formulas which undo major differences between rich and poor communities. The New York State Board of Regents just last year called for further reform of the state's school aid formula, toward the same end. What is common among all these developments, including the Illinois equalizer formula, is that state funds are to be distributed in inverse proportion to local wealth.

The Illinois formula exemplifies the specific method of "equalizing" the tax base for local communities according to a per-pupil measure of taxable property values. This method includes the provision that each local community levy its taxes at a minimal rate. The Illinois Equalizer formula, provides for different specific methods of resource assurance, depending upon the nature of the local school district. For an elementary school district (one operating elementary schools only) the formula assures \$64,615 in property value for each child, taxed at the rate of

1.95%, for high school districts \$120,000 in property value per pupil, taxed at 1.05% is assured. For "unit" districts, where elementary and high schools are run within a single system, the formula assures \$42,000 worth of taxable property per pupil, taxed at 3.00%.

The Chicago public school system is a unit district and is provided for according to the last set of figures. This does not mean, of course, that the state somehow gives to the city taxable property in the amount of \$42,000 per school pupil. More precisely, it means that the state will provide the city with whatever funds are necessary to give the city a total amount which it would raise on its own if the value of property in the city amounted to \$42,000 per child, with the city taxing that property at least at the rate of three cents on the dollar. State aid provided through the Distributive Fund is therefore a supplement to local tax money and not a substitute.

It should be noted though that the equalizer formula only provides for a minimal equity among local districts, it does not insure absolute equality. It is possible for a unit school system to be endowed with taxable wealth above the \$42,000/pupil measure. What is more likely is that a district will have other sources of revenue, for special programs, which will raise its total per-pupil measure above that which is assured by the equalizer formula.

If the equalizer formula is assuring \$42,000 assessed valuation per pupil, taxed at 3.00%, it is thereby assuring \$1,260 per pupil in school funds ($\$42,000 \times .03 = \$1,260$). This \$1,260 figure is by no means

a maximum limit upon how much a school system may receive and spend for each child.

It is to be noted that the basic features of the formula refer to the wealth of a community in terms of local property, it does not rely directly upon any measure of the wealth of the individual citizens, in terms of personal income. In other words, the formula does not regard personal wealth of citizens as the basis for available school funds, and indeed it is not the basis for school funding although obviously related.

The equalizer formula does, however, provide for differential funding for different classes of school pupils. This is accomplished by special weighting of specified segments of the pupil population of a district. In a unit system, high schools derive differential treatment by way of the provision that each high school student be counted as 1.25 students, toward a determination of the number of pupils, on paper, for whom state aid can be claimed (as opposed to the actual number of real persons enrolled in the schools). Since aid is figured on a per-pupil basis such an inflation in the number of pupils will obviously provide for a special increase in state aid, and it means that each "real" high school student is drawing more money to the system than each elementary pupil.

The number of elementary pupils counted in the state aid claims, and the number of high school students to whom the .25 weighting factor is applied, are in both cases determined by daily attendance figures, rather than enrollment rosters. The numerical figure in either case is referred to as Average Daily Attendance (ADA), which is the number of pupils actually

in attendance on an average day during any six-month period of the prior school year in which attendance was at its best. The total number of pupils for which aid is claimed, after the high school weighting is applied, is referred to as Weighted Average Daily Attendance (WADA).

Counting and Weighting of Disadvantaged Pupils

The provision for disadvantaged students is similar to that for weighting high school pupils. Disadvantaged status is specifically determined as eligibility for federally funded programs under Title I of the Elementary Secondary Education Act (ESEA). The ESEA criteria do not actually apply to individual children, but to school communities instead. It is a school which qualifies for Title I money under federal regulations. The specific criteria used in Chicago's applications for Title I money are that a school's surrounding community (attendance area) have a percentage of school age children from low income families which exceeds the percentage for the city as a whole. (Note: the percentage for the city as a whole rather than the percentage for children enrolled in public schools.) The number of poor school age children in a neighborhood is estimated from the latest U.S. Census data and local records of families receiving aid from dependent children and general public assistance. Children in orphanages and foster homes are also included in the number of Title I eligibles recognized by the state of Illinois.

The local school system does not take an actual census of disadvantaged children enrolled in each school, neither for federal grant applications, nor state aid claims. In the latter case, the local school system is given a figure for Title I eligibles which is independently determined by the Illinois Office of Education. Very recently the State

Superintendent has labeled this number the "Illinois Count of Disadvantaged Children." Both the federal and state grants are based upon estimated numbers of disadvantaged children residing within the geographic attendance areas of individual schools and of the entire school district. A count of disadvantaged children may therefore be distinguished from, and at variance with, the numbers of such children enrolled in the public schools. Since some children, including some from low-income families, do not attend the public school in their neighborhood there is a clear possibility that a count of disadvantaged children may overstate the number of such children enrolled in any particular public school. All references to numbers of disadvantaged pupils in the public schools, must be understood as references to estimated numbers. Admittedly, the number of disadvantaged children counted by the state for any school or school district is more directly descriptive of a school community as opposed to a school itself. But that only affects the precision of the count, not its purpose. To describe a community specifically in terms of its school-age children is quite obviously for the sake of describing the make-up of its schools. For sure, the Illinois count of disadvantaged children allows comparison of schools or school districts according to socioeconomic attributes of student populations.

The legal definition of the equalizer formula provides that a district may count each of its disadvantaged school age children as more than a single child. That is, they may weight each disadvantaged child for a further inflation of the number of pupils on paper for whom state aid is claimed. For Chicago the weighting factor is .75, meaning that

the system may count each poor child as 1.75 children. The .75 factor is not a single standard weighting allowed for any disadvantaged pupil in any local school system within the state. Instead there is a base weighting factor of .375, which is applied in any local district where the proportion of poor children matches the statewide proportion of 18%. The base factor is adjusted, up or down, according to whether a local district's concentration of poor children is greater than or less than this statewide average. The precise adjustment is determined by dividing the statewide percentage (18%) into the local percentage. For adjustments above the .375 base weighting there is an upper limit of .75. In other words, for a district using a disadvantaged weighting factor of .75 the percentage of children in that district who are poor must be at least twice the statewide percentage (at least 36%). Since Chicago's figure of 47% poor children (as a proportion of Average Daily Attendance, rather than total enrollment) is 2.6 times greater than the statewide percentage, the local schools would weight the disadvantaged by a factor of .98, were it not for the upper limit of .75.

By this provision the amount of money drawn to a local district by a single disadvantaged child will vary according to how much company he has in the persons of other poor children. The factor of concentration of disadvantaged pupils far outweighs their simple presence and absolute number in the determination of state aid to public schools.

Interpretations of the Weighting and Bonus Provision

Very clearly, the cumulative effect of the various parts of the state funding formula is not simply to make disadvantaged segments of

the population minimally equal to the more affluent in their relative abilities to pay taxes to support schools. The tax base provision by itself achieves this minimal equity in local economic wealth. The special weighting factor is an additional provision which is responsive not to overall wealth of adults in the community, but to the estimated number of disadvantaged children in the schools. The provision clearly seems aimed at compensating a school district for additional costs presumed to be necessary to educate disadvantaged children. Indeed, this provision in the formula not only implies a policy assumption about the higher expenditure level required to educate disadvantaged children, it also recognizes that the higher the percentage of such children in a school, the higher such added expenditure per-pupil may be expected to go. Furthermore, and in spite of its vagueness, the requirement for a plan for "the improvement of instruction" gives clear indication that the funding bonus derived is for special educational purposes, rather than a further equalization of the community wealth factor.

One might argue, as has Supt. Hannon, that a high percentage of disadvantaged children creates a general burden on the entire system, but this would only make sense if the disadvantaged pupils were evenly spread throughout the system. This is hardly the case in Chicago, a community which famously adheres to the principle of neighborhood schools. As poor and non-poor children are differentially concentrated in separate neighborhoods, they are differentially concentrated in separate schools. Chicago school officials can determine and compare the numbers and proportions of poor children in the individual schools of the system. They can do so

just as the state does for the separate school system. If it is acceptable to fund separate districts in proportionate correspondence to concentrations of poor children, why should the practice be limited to such a gross level of distinction between organizational entities. A child attending school in an economically depressed area of the city of Chicago is no less separated from children in more affluent areas of the city than from those in the suburbs. It is impossible to comprehend how any individual school with very few disadvantaged pupils, or with none at all, is especially burdened by the fact that large numbers of poor children are enrolled at other schools within the system.

So far we have not heard or seen any attempt to explain how disadvantaged children represent an "overburden" to the system at large. Chicago school officials have claimed that they have needed every dollar they can get for expenditure throughout the system, especially to meet teacher salary demands. That is obviously true. It is not true, however, that teacher salary demands have been related to the economic class status of Chicago school children. It is certainly not true that teachers in high-poverty schools draw higher salaries, or that there are more teachers per-pupil in such schools. The conclusion one must draw is that the equalizer bonus has simply been exploited as revenue which looks and sounds like a respectable and high-minded provision for unique needs of school children. If Chicago schools are overburdened by teacher contracts, perhaps the reference to disadvantaged children in the Resource Equalizer statute should be changed to a reference to members of the Chicago Teachers Union.

More subtly, the notion of disadvantaged children as a "municipal overburden" seems to depict these children as welfare clients of the state. We cannot help but detect the pernicious attitude that providing poor children with free schools is an act of public charity on the part of more affluent "tax-payers", and that for poor neighborhoods to have even equal resources for schools, some special supplementary revenue is needed. It is an attitude which would overlook entirely the fact that the most basic provision of the equalizer formula subsidizes every real school pupil, regardless of socio-economic status. If the reader has wondered what is meant by the phrase "municipal overburden", the truth is that we simply don't know what it means, especially when used in reference to disadvantaged school children. The phrase has appeared in arguments defending unregulated expenditure of the equalizer bonus, but it has never been conceptually or operationally defined by those who have so used it. It is possible that our harsh judgements of its implications would be altered if the notion of disadvantaged children as "municipal overburden" were explicated by those who bandy the phrase about.

Finally, we must point out what ought to be an obvious parallel between the weighting in the equalizer formula for high school students and that for Title I eligibles. They are especially parallel in giving special recognition to distinct classes of school pupils. We must ask whether high school students also represent a general "municipal overburden". We have yet to hear any arguments against higher expenditure for high school curricula compared to elementary school programs. The average per-pupil expenditure in Chicago high schools is \$300 more than the average for elementary schools. Obviously, no one has yet

suggested that all bonus revenue generated by high school students should be shared equally with elementary schools. Chicago school officials have no more trouble distinguishing all schools according to disadvantaged enrollments than they do in distinguishing a high school from an elementary school.

The side taken by the Chicago Urban League follows easily from all the considerations above. Simple logic and intellectual honesty require that the equalizer bonus generated by the presence of disadvantaged children in the public schools be regarded as revenue to support compensatory instructional programs for disadvantaged children specifically. To do otherwise makes one liable to charges of exploiting the moral and political appeal of special recognition of poor children, and of blatantly hypocritical lip service to an important educational mission. Treated properly, the allocation of the bonus should most probably result in higher levels of per-pupil expenditure in individual schools, in correspondence with higher concentrations of disadvantaged pupils.

Current Relationship Between Expenditures and Disadvantaged Enrollment

In our earliest review of the data on per-pupil expenditure contained in Dr. Hannon's report of December 13, we calculated correlations of disadvantaged pupil concentrations and levels of per-pupil expenditure for the 27 sub-district areas within the system. In addition to the Educational Fund, there is a reporting for three other broad and cumulative fund categories. This was just a very small part of the Superintendent's report, which has allowed us to gather some estimate of how the total money spent on Chicago schools is related to concentration of disadvantaged children. The data reporting expenditure of all school funds were only provided in gross amounts as totals and averages for each

sub-district as a whole, and as a record of expenditure from the prior school year (1975-76). The school-by-school data in the Superintendent's report is restricted to expenditure from the local Educational Fund. The Educational Fund was so isolated because it is the conduit for all general state aid, which of course means that the equalizer bonus is wholly contained in the local Educational Fund. It is also the major fund for day-to-day operation of schools, constituting 61% of the total school budget. Besides general state aid, the other revenue source for the Educational Fund are (1) categorical state aid as partial reimbursement for specific programs (mostly special education), and (2) local tax revenue (more than half of taxes go into the Educational Fund).

In our analysis of the data aggregated for the 27 sub-districts we sought rank-order correlations between the variables. A rank order correlation would mean that each sub-district's ranking on one variable is similar (or, maximally, identical) to its ranking on the other. Table I summarizes our analyses of the rather imprecise data for the 27 sub-districts. The columns describing broad categories of funds are cumulative from left to right. The category of "all operating funds" includes the Educational Fund; and in addition to it, the Textbook, Building, and Playground Funds. The broad category of "all board funds" includes all operating funds plus bond redemption and interest funds and a variety of construction and rehabilitation funds. The final step in the cumulative progression is arrived at with the addition of categorical "government funds" (distinguished from "board funds" primarily in that the former derive no revenue from local tax levies, and are received for

TABLE 1

DISTRICT RANKINGS ON POOR PUPIL
PERCENTAGES AND EXPENDITURES

District	% Poor Ranking	Educational Fund	All Operating Funds 1	All Board Funds 2	All Funds 3
13	1	8	10	4	4
23	2	4	4	7	2
11	3	9	9	18	11
9	4	1	1	1	1
8	5	18	18	23	14
21	6	12	12	15.5	9
7	7	3	2	2	3
14	8	10	8	8	7
10	9	26	26	12	8
26	10	13	14	14	12.5
25	11	20	19	22	19.5
6	12	24	24	25	16
19	13	15	13	3	5
20	14	27	27	27	27
22	15	17	17	15.5	18
24	16	2	3	5	6
27	17	23	23	19	22
15	18	25	25	26	25
16	19	14	15	21	24
4	20	19	20	10	12.5
3	21	7	6	6	10
5	22	22	22	24	26
17	23	11	11	17	19.5
18	24	21	21	20	23
12	25	6	7	9	15
1	26	16	16	11	21
2	27	5	5	13	17

Correlations

% Poor with Expenditures	.20	.21	.22	.65
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1. Education fund plus textbook, building and playground funds.
2. Operating funds plus teacher's pension, bond redemption and other maintenance and rehabilitation.
3. All board funds plus government programs funds (mostly federal).

Source: Superintendent's Report of December 13, 1976.

support of precisely specified programs and services).*

As Table I indicates, we computed correlation coefficients at each step in the accumulation of funds. Each of the last three relationships indicated are partially constituted of the preceding relationship(s).

The Superintendent's report provided these data from last year as bases for predicting expenditure in the current year. We shall use the results of our analyses in the same manner. The first point to be made about the correlations is that no appreciable correspondence between higher levels of per-pupil expenditure and concentrated enrollment of disadvantaged children would appear to exist until the final inclusion of non-local funds. It is therefore quite clear that the figure of .65 for the relationship of poverty concentrations with total expenditure is most substantially effected by the distribution of special government program funds. For this group of funds taken alone the correlation is .90, very high, and as it is required to be. Currently the largest single component of government funds (36%) is federal money granted under Title I of ESEA. The expenditure of Title I money is, by definition, perfectly correlated with poverty concentration (the coefficient would have the maximal value of 1.00). As well, other major portions of the government program funds are categorically apportioned according to criteria closely related

* The dollar amounts for per-pupil expenditure on which the ranks are based range from \$1,195 (district 20) to \$2,027 (district 9) for the Educational Fund, and between \$1,642 and \$3,118 for all funds combined. The percentages of disadvantaged pupils ranges from a low of 8.8% (district 2) to the maximum 100% (district 13).

to economic status (e.g., the free lunch funds, Comprehensive Employment and Training Act funds, state and federal funds for bilingual education, etc.).

The state aid bonus generated by disadvantaged pupils is entirely appropriated from the local Educational Fund. That bonus of \$173 million compares to a sum of about \$51 million in ESEA, Title I funds. It is still greater than the total of \$135 million for all the government program funds combined. As another point of comparison, the state aid bonus constitutes 24% of the revenue for Educational Fund appropriations while the government program funds account for only 14% of all money spent on educational programs and services (which is not including funds for repayment of debt from bonds or for construction and rehabilitation).

In spite of the fact that it derives greater resources from the presence of disadvantaged children, the Educational Fund is expended with no appreciable attention to where those children are concentrated. The rank-order coefficient of .20, between disadvantaged percentages and per-pupil funding indicates a negligible relationship between the variables. A better evaluation of any correlation coefficient may be derived by squaring its value. The correlation-squared will indicate what portion of the variation in one variable is accounted for by variation in the other -- e.g., how much of the difference in per-pupil funding, among the sub-districts, is associated with different enrollments of disadvantaged pupils. The coefficient of .20 tells us that only 4% of the variation of Educational Fund expenditures can be accounted for by the way in which disadvantaged students are spread among the sub-districts. A correlation as small as .20 for a set of cases of this size (i.e., the 27 sub-districts) cannot be accepted as a reliable index of correlation. That is to say, the safest conclusion we can

draw from the statistical analysis is that there is no general relation between per-pupil expenditure and disadvantaged enrollments in the sub-districts.

The summary point is that it is only as a result of special government funds (mostly for ESEA, Title I programs) that there is an appreciable correlation between disadvantaged pupil enrollment and per-pupil expenditure in Chicago public schools. It has been left almost entirely to the federal government to allocate resources in a determined and intentional manner to meet the specific educational needs of the 43% of the students in Chicago public schools who are economically disadvantaged. And the programs supported by government funds would not appear sufficient. The Child Parent Centers, for instance, which are 90% funded under Title I of ESEA, only serve 4,146 kindergarten and primary grade pupils at 24 sites. Their enrollment is less than 2% of the total count of disadvantaged students for the Chicago public schools. All Title I programs combined are serving about 42,000 poor children in the public schools, which is still only 20% of the total count for disadvantaged students. At the same time, the average scores on achievement tests at schools qualifying for Title I programs remains well below national norms and city-wide averages.

Chicago's application for Title I funds for fiscal 1977 includes an assessment of needs among all Title I eligible children. The data was collected and compiled by the local board's Department of Research and Evaluation. In their own words, the disadvantaged children in the system show "serious deficiency in achievement," as indicated by standardized

measures on which they score "seriously below the national averages." It is reported that at age 7, Title I eligible pupils are at least six months below the national average, and that by age 14 their progress lags by at least 5 years! In addition, it is reported that the annual dropout rate in Title I schools is 14.9%, as compared with the city-wide rate of 8.7% (which is itself partially constituted of Title I dropouts). The most common reason for students dropping out is "lack of interest and poor scholarship." If this were descriptive of a small minority of Chicago public school pupils, a small and ancillary effort such as the local Title I programs, might be sufficient. The Chicago Board's own plea for Title I grants shows clearly that the federal aid alone is not enough to meet the actual current needs.

An Analysis of Expenditures for Individual Schools

The aggregate data for the sub-districts suggest neglect or indifference to the needs of disadvantaged children in the allocation of local funds. But the picture given so far is only superficial. There are two rather technical reasons why this is so, having to do with statistical procedures. First, the correlation index on rank-order relations is a relatively imprecise indicator of a relationship between variables. It provides no indication at all of the proportionate relation between expenditure and disadvantaged enrollment variations. For both variables, it reduces the differences between any consecutive pair of cases to a single unit -- i.e., a difference of one rank. For example, sub-districts 19 and 22 are two ranks apart on both variables and the ranks for each are similar between the variables. However district 19 has a disadvantaged percentage which is .26 times greater than that for district 22, while its per pupil expenditure is only .02 times greater. A more precise index of relationship would reflect expenditure differences in proportionate relations to disadvantaged enrollments.

A second and more important shortcoming of the data aggregated by sub-districts is that it misrepresents the amount of variation which may exist among school units on either variable, especially that of per-pupil expenditure. For the aggregate values there is a low of \$1,119/pupil and a high of \$2,000. Among the individual elementary schools there is a variation between low values of less than \$1,000/pupil, and high values in excess of \$5,000/pupil.* Because the figures for whole districts are average (mean) values, they gloss over the variation within the district areas. If for example, the disadvantaged percentage in sub-district 18, as a whole, is 20.3%, it does not necessarily follow that each school unit within that sub-district has the same, or a similar percentage. Some sub-district areas include high numbers of both poor and non-poor children. Needless to say, they do not always attend the same schools. This is notoriously so in sub-districts 4, 14, and 15. On the average, 68% of the Educational Fund appropriation for each sub-district is separated into "unit" allocations for individual attendance centers. Given the gross figures alone we have no true picture in most cases of how much money is going to schools with high or low concentrations of children from low income families, when the schools are taken separately.

Considering the above shortcomings of aggregate data for sub-districts, a detailed analysis of individual school data has been required. We have confined our effort to include only regular elementary schools. The main body of schools, (and students) which are excluded are the high schools. The reason for their exclusion is that high schools have a greater variety of programs and services among them than do elementary schools. In general it would be inappropriate to mix different kinds of schools in a single analysis, for the reason of non-comparable programs and services,

* Educational Fund alone.

and, hence, non-comparable per-pupil expenditure levels. If we were to perform analyses for all schools in the system we would have to take them in separate sets according to different grade levels, program emphases, etc.

So the present analysis may be regarded as that for the category of "regular" elementary schools. Besides high schools, this also excludes middle schools, upper grade centers, child parent centers and all special needs facilities. It also excludes some unique elementary schools which cannot be fairly compared with most (e.g., the Disney Magnet school and schools predominantly or exclusively for handicapped pupils). Finally, a few schools were excluded for lack of data on enrollment and/or expenditure. This has left us with a group of 475 elementary schools for the present study. The combined enrollment in these schools is 311,461 which is approximately 96% of the total elementary enrollment for the current year.

Most of the data analyzed is drawn from the school-by-school report of Educational Fund appropriations for the 1976-77 school year. This includes figures for total enrollment and Title I eligible pupils for each school unit. In order to explore possible relations between expenditure and other descriptive features of the schools we have drawn upon other data included in the most recent issue of Selected School Characteristics, which describes school characteristics for the 1974-75 school year. This separation of data sources may occasionally affect the current accuracy of the findings to be reported here, as we will acknowledge in the specifically relevant discussions. In addition, there are data for the current year describing faculty composition according to years of experience

and professional credentials. For the most part, our statistical analyses were in search of correlations between various pairs and sets of factors. Primary among these were correlations of descriptive variables with per-pupil expenditure figures. While our initial and primary motive was to calculate more precisely the relationship between expenditures and disadvantaged enrollments, we also wanted to know to what extent the other factors might explain the variation in per-pupil expenditure.

For the schools included in our study, total Educational Fund expenditure per-pupil ranges from a low of \$859/pupil to a high of \$5,605/pupil. The mean value for individual schools is \$1,561/pupil. Since the mean for expenditure is distorted somewhat by extremely high values, a more accurate measure of the "average" expenditure among individual schools is provided by the median, which is \$1,489. (Half of the schools have expenditure above this amount, half below.)

Each school's total Educational Fund expenditure is composed of three components. The truly individual component is the unit appropriation which is the money budgeted for programs and services limited to the individual school. In addition, there are smaller components for district-wide and system-wide services. Both of the later "ancillary" appropriations have been apportioned among individual schools in constant per-pupil amounts. For each school within a single district, the per-pupil expenditure for district-wide services will be the same. The per-pupil allocation for system-wide costs will be identical for every school in the system.*

* Within the ancillary funds there are some appropriations which can be more precisely divided among individual schools but are not part of unit appropriations. These include some services related to special education and the costs for substitute teachers. In the per-pupil expenditure data for the 1976-77 school year these funds are not separated from district and system-wide appropriations.

Since there is very little variation among the schools in per-pupil expenditure for the ancillary appropriations the variable of total Educational Fund expenditure correlates with other factors almost identically as does the unit expenditure variable. For this reason we will not report separate correlations for unit expenditure and total expenditure. We will use the latter variable throughout as the measure of per-pupil funding level for each school.

Expenditures and Disadvantaged Enrollments for Individual Schools

The variation in percentages of disadvantaged pupils ranges from a low value of zero up to 100%, with a mean for the individual schools of 29.9%. There are a few schools having a disadvantaged pupil count which is higher than the figure for total enrollment at the school. As stated earlier, this is made possible by the fact that disadvantaged pupil counts are determined for attendance areas rather than by actual census taking within the schools. In the cases where the disadvantaged count is greater than the combined enrollment of a school and any branch of the same school, we recorded the percentage of disadvantaged pupils as 100%.

For the school-by-school data, Pearson Product-Moment correlation coefficients were computed, overcoming the imprecision of the rank-order correlation as described above.

The computed coefficient for correlation of per-pupil expenditures with disadvantaged enrollments (as percentages of total school enrollments) is .03, which indicates no relationship at all, not even a slight correspondence between the variables. For the schools selected here, Supt. Hannon's claim that expenditures at high-poverty schools is higher "on the average" has no validity except as an observation that among the schools with

highest expenditures there are several which also have very high percentages of poor children. But the overall pattern, with all the schools in the present analysis considered, would indicate that the high expenditure levels in a few high-poverty schools do not result from any general policy determination that disadvantaged enrollments should matter in budgetary allocations to the schools.

As another test of the relationship between funding levels and disadvantaged enrollments we split the 475 schools into two groups according to the median value for disadvantaged percentages which is 32.9%. We compared the two groups according to average per-pupil expenditure. The mean per-pupil expenditure for schools with more than 32.9% disadvantaged pupils is \$1,559/pupil. For schools with less than 32.9% disadvantaged the mean expenditure is \$1,562. By statistical test, this very slight difference proves to be no real difference at all. (Note also that the average for low-poverty schools is actually somewhat greater than for high-poverty schools.)

Expenditure Related to Other Factors

Among the descriptive features which we examined for their relationships with per-pupil expenditure were the following:

- 1) Enrollment - the total number of pupils registered at each school.
- 2) Percent of teachers with M.A. or other advanced degrees.
- 3) Special education teachers as a percentage of the total number of board funded teachers at an individual school.
- 4) Percent "auxiliary" teachers - those teachers at a school who are not assigned to a regular classroom and do not figure into the student/teacher ratio (class size), including so-called "equalization" teachers, as a percentage of the total of board funded teachers.

- 5) Percentage of total per-pupil cost of board funded teachers which is spent for auxiliary teachers (as defined above).
- 6) Percentage of kindergarten pupils enrolled.

The last four variables (3-6) are the ones mentioned earlier which are based on data for the 1974-75 school year from "Selected Characteristics." Our concentration upon staffing characteristics (variables 2-5) is for the obvious reason that an overwhelming proportion of school expenditure is for professional salaries. The variable of percentage of kindergarten pupils, though indirectly, is also a staff cost consideration. The student/teacher ratio for kindergarten is always higher than for primary and intermediate grades, so a high percentage of kindergarten pupils might help account for lower per-pupil expenditure.

We correlated all of the variables listed above with per-pupil expenditures and with percentages of disadvantaged pupils. Table II contains the results of these calculations, showing those correlation coefficients which are large enough to be accepted as reliable indices of non-arbitrary relationships between the variables. Only one correlation -- that between per-pupil expenditure and percentage of special education teachers -- can be considered high. Such a relationship between expenditure and special education teachers is not unexpected, since student/teacher ratios are very much lower for special education services. In many cases Selected School Characteristics shows some schools having more special education teachers than special education pupils. In many cases the special teacher(s) assigned to a single school will serve pupils from other schools, including cases where the special education teacher is assigned to a school with no special education pupils among those

TABLE II

SIGNIFICANT CORRELATIONS OF EXPENDITURE
AND DISADVANTAGED ENROLLMENT WITH OTHER VARIABLES

	<u>Enrollment</u>	<u>% M.A. Teachers</u>	<u>% Special Ed. Teachers</u>	<u>% Auxiliary Teachers</u>	<u>% Auxiliary Cost</u>	<u>% Kg Pupils</u>
Expenditure/Pupil	-.42	.28	.63		.37	
Percent Disadvantaged	.15	.17	.21	.30	.30	-.18

regularly enrolled. While special teachers assigned to a school unit may not themselves be itinerant, their pupils often are. The immediate significance of these facts is that the assignment practices for special education teachers may distort per-pupil expenditure figures as indices of what is spent for just those children enrolled in any individual school. In this sense, appropriations for special education teachers are somewhat superficial as components of expenditures in individual schools.

Similar comments can be made about the correlation between per-pupil expenditure and the percentage of teacher cost attributable to auxiliary teaching positions. Their auxiliary status means that such teachers are extra personnel beyond what is needed to staff regular classroom positions. Although they do not count in the official determination of class size their assignment to schools obviously has the effect of reducing the overall ratio of students to professional staff, and raising the level of per-pupil expenditure.

It is interesting that while the cost percentage of auxiliary teachers correlates with total per-pupil expenditure, the numerical percentage of such teachers does not. This must mean that individual salaries of auxiliary teachers vary considerably, both absolutely and in relation to salaries of regular classroom teachers. This inference is reinforced with consideration that the gross category of auxiliary teachers may include assistant principals as well as equalization teachers. According to Selected Characteristics, the latter are usually relatively new employees who were assigned to schools in an effort to equalize expenditure levels among schools rather than to meet specific program and service needs.

The negative correlation between per-pupil expenditure and total enrollment is partly a result of a certain economy of scale in school funding. There are several kinds of appropriations from the Educational Fund, distinguishable from the cost of teacher certificated personnel, which are relatively constant and independent of variation in enrollment. These include appropriations for the cost of regular maintenance of the physical plant, fuel costs, building engineers, clerical staff, etc. In larger schools the per-pupil cost of these items is predictably less, especially if enrollment is at or above full capacity. However, it is also true that there is a tendency for schools with higher total enrollment to have larger class sizes. The correlation coefficient for enrollments with student/teacher ratios is a significant .33. (An exploratory correlation was computed for student/teacher ratio with total per-pupil expenditure and was found insignificant. There is also no significant relationship between student/teacher ratio and percent disadvantaged.)

Finally, there is a slight but significant positive relationship between per-pupil expenditure and percentage of teachers with more than a bachelors degree. This again is a predictable result; advanced degreed teachers draw higher individual salaries.

Taken together, these correlated factors account for 58% of the variation in per-pupil expenditure. The multiple correlation between the set of independent variables and the dependent variation of per-pupil expenditure is .77.

Are Poverty-Area Schools Currently Receiving Equal Funds?

Given this background understanding of what factors might explain per-pupil expenditure in a school, it is relevant to our main purpose to

examine the relationship between each of them and disadvantaged enrollment. Especially worthy of close attention are the parallel relations of both per-pupil expenditures and disadvantaged enrollments with special education teachers and auxiliary teacher costs. Since both factors tend to be positively related to expenditure they obviously contribute positively to what is spent in schools with higher concentrations of disadvantaged pupils. This causes one to wonder how per-pupil expenditure would correlate with disadvantaged enrollment without the contribution to these schools of special education and auxiliary teacher appropriations.

Accordingly we computed a partial correlation of expenditure with percent disadvantaged which subtracts, so to speak, the variation in both which is associated with special education and auxiliary staffing. Put somewhat differently, we statistically measured what the relationship between expenditure and disadvantaged enrollment might be if percentages of special education teachers and of auxiliary teacher costs were constant for all schools (and, especially, if they were not somewhat higher in schools with higher disadvantaged enrollments).

The partial correlation coefficient between expenditure and disadvantaged enrollment, controlling for auxiliary and special education teachers is -.21. This suggests that except for special and auxiliary instructional services the expenditure levels tend to be lower in the schools in poorer neighborhoods. The present finding is too weak to be a basis for strong and final conclusions. If it is borne out by closer analysis it will indeed be a damning indictment against a school system receiving such a substantial amount of resources from the very presence of disad-

vantaged children.

It is to be remembered that special education funds are in a large part supplementary to general funds, and that special education services are supplementary to regular instruction. For their part, auxiliary teachers must be considered as just that -- helping hands to a more central staff of regular classroom teachers. In neither case should appropriations for such teachers be associated with a reduction in expenditure for the regular classroom programs. If anything, the assignment of special education and auxiliary teachers to schools with high disadvantaged enrollments should be ways of meeting the special needs of which we have spoken. We have found a positive correlation of .36 between disadvantaged enrollments and the percentage of pupils with special educational handicaps. This alone should lead to higher expenditure in schools with higher concentration of disadvantaged children. It should not result in a simple equity for such schools.

We have been prompted by this result of our study to begin a follow up which will examine current budget appropriations for different instructional services in the individual schools. The factors examined so far (percentages of teachers and proportions of appropriations) are only loose and imprecise indicators of what we have come to suspect. A more definitive finding will come from an examination of the relationship between expenditure and disadvantaged enrollments when full and precise amounts for special and auxiliary services are actually subtracted from total allocations as listed in the current school budget. What we suspect is that when we get down to appropriations for what might be called the education of the standard, average children in the system, we will find that fewer resources go to such children when they are

in a school with a large number of disadvantaged children. This would be all the more reprehensible in light of the fact that while it may be vague about everything else, the statute governing equalizer funds does not regard the disadvantaged as even standard or average pupils.

Reallocating the Equalizer Bonus: Resource Entitlements

The final empirical subject to be covered here is whether the Chicago public school system can in fact afford a redistribution of general aid which would give relatively more money per-pupil to schools with higher concentrations of disadvantaged pupils. The most critical question here is how much of a difference should exist between per-pupil expenditure for a Title I eligible child as compared to expenditure for non-poor children. Adopting the language of Supt. Hannon, we shall refer to these determinations as entitlements. In rough terms what this will mean is that every pupil, without attention to socio-economic status, will be entitled to some minimal or base amount of resources, in monetary terms. In addition to the base entitlement, each disadvantaged student shall be entitled to a bonus share of resources.

It is fairly easy to determine the dollar amount of the bonus entitlement of disadvantaged pupils. The total bonus is restrictively allocated to the disadvantaged children and divided equally among them. Thus the bonus entitlement of Title I eligible children is \$815/pupil, derived by dividing 173 million dollars by 212,000 pupils. Although this might go without saying, we should make it clear that the entitlements referred to (both base and bonus entitlements) are resources assignable to schools rather than to individual students. The \$815 due each disadvantaged child is to be regarded here as a financial resource for the school that the child attends. Within the individual school this bonus might

well cease to "follow the child" and may be shared, as general operating funds, among all pupils in the school regardless of economic status. The effect would be that higher expenditure for certain children would be contingent upon enrollment in schools with high percentages of poor students. This would embody a much more sensible regard for disadvantaged pupils as a burden on the task of educating other children as well.

We should also make it clear from the beginning that the equalizer bonus may be treated like the rest of Educational Fund revenue, and be appropriated for district-wide and system-wide services as well as school unit costs. For amounts spent above the individual school level, especially for system-wide services, hardly any demographic redistribution would be required. Instead, the reallocations at these levels would follow almost entirely from redefinitions of programs and professional responsibilities.

The determination of a base per-pupil entitlement is not quite so simple as the determination of the disadvantaged bonus. There are two general methods of calculating base entitlement, with various possibilities for combining them. All methods require the subtraction of the equalizer bonus (\$173 million) from total Educational Fund revenue. The first, and simpler method of determining the base entitlement is procedurally identical to the determination of the bonus entitlement. This is to give each child (poor and non-poor) an identical share of the revenue remaining after the total bonus is subtracted. This method however, is unacceptably simplistic, in that it negates the possibility of valid reasons for variation in per-pupil expenditure among the schools. The second general method, then, is to permit existing variation to remain proportionately intact, and to subtract bonus dollars from the actual

appropriations to each school. This method accepts the existing pattern of expenditure as reflecting valid differences between the needs or capacities of individual schools (other than disadvantaged enrollments).

Superintendent Hannon's report on per-pupil entitlement and per-pupil expenditure involved a calculation of the base amounts for each of the 27 sub-districts by a combination of the two general methods. (The report did not include entitlements for individual schools.) Their determination of base entitlement begins by breaking up the Educational Fund according to its three major sources of revenue:

- 1) The general state aid (Distributive Fund revenue) is divided equally among all children after subtracting the equalizer bonus (the \$173 million, which is wholly contained within Distributive Fund revenue).
- 2) Local tax revenue for the Educational Fund is also divided equally among all pupils.
- 3) State reimbursement for special education programs is distributed among the districts according to the existing pattern (i.e., current variation left intact).

We regard this method as unrealistic with regard to existing variation in expenditure among the individual schools. School funding is not governed by a principle of equal sharing of revenue from any source. It is instead governed by program and service needs, including special short term appropriations for such services as maintenance and repair of facilities. Since special education appropriations have proven an important source of expenditure variation, it is necessary to recognize that categorical reimbursements cover only 42% of the full cost of

special education programs (for Chicago schools, the reimbursement for special education teacher salaries is limited to one-half of full salaries). A large share of special education support is from Distributive Fund and/or local tax revenue. The Superintendent's report cites these facts but goes on to ignore them in calculating entitlements.

We have determined base entitlement by subtracting the equalizer bonus from current appropriations as a constant percentage of the total expenditure at each individual school; leaving existing variation proportionately intact. The total Educational Fund expenditure in the 475 schools is \$458.7 million. The equalizer bonus within that total is \$105.9 million or 23%. (Our procedure for determining entitlement is presented in detail in the appendix of this report.) The reasons that it is possible to "take out" the equalizer bonus as a constant percentage of the expenditure for each school (23%) is that there is presently no general correlation between expenditure and disadvantaged enrollment. Since we have no reason to assume that the appropriation to any school has already been determined by disadvantaged enrollment it is proper to treat all schools equally in extracting from current appropriations the money which should be redistributed (the equalizer bonus).

Reallocating the Equalizer Bonus: Projected Results

It is appropriate here to state and to emphasize that what follows in this report is a projection of how Educational Fund appropriations might be distributed among the schools if the equalizer bonus were allocated in some proportionate correspondence with concentrations of disadvantaged pupils. The actual eventual distribution of funds should depend upon the nature and locations of programs which they support. It is only for the purpose of projecting a normative standard for redistribution that we will,

for the time being, determine the proper allocation of the equalizer bonus on a simple, equivalent per-pupil basis. Our point here is by no means to make specific recommendations of precisely how much money should be spent at each of the individual schools. Rather, what we intend to demonstrate is what the school system can bear, and especially to show that closer scrutiny than has heretofore been attempted (by anyone, as far as we know) belies the defensive rationalization about intolerable sufferings to be felt by school children in more affluent neighborhoods.

After calculating entitlements for each school we may compare these to current appropriations to determine how much money should be shifted for an overall proper allocation of Educational Fund resources. Obviously a good deal of the bonus is already properly "located". The only way that this could not be so is under the almost impossible condition of having all of the equalizer bonus allocated among schools with no disadvantaged pupils. We computed the amount of money to be reallocated as equivalent to the total amount of "underfunding" of schools which are currently receiving less than their calculated entitlement. (Our method of calculating automatically insures that the total underfunding for such schools is virtually identical to the total "overfunding" of schools currently receiving more than the calculated entitlement.) For the 475 schools included here, the total amount of equalizer bonus which our projection would reallocate is \$29,897,706. This is 28% of the bonus for these schools (meaning, conversely, that 72% is already "in place" among these schools).

Figures I and II depict distributions of the 475 schools on a scale of per-pupil expenditure levels for individual schools.

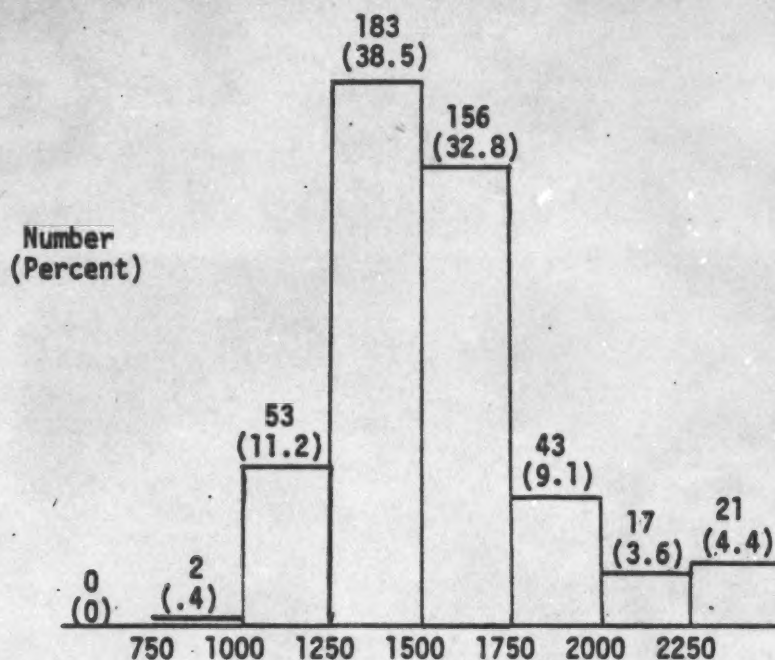


Figure I: Current Distribution of 475 Schools by Per-pupil Expenditure

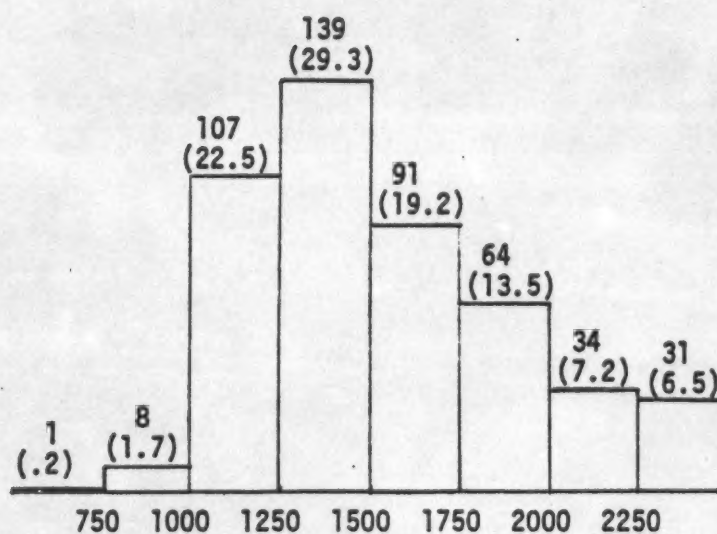


Figure II: Adjusted Distribution by Per-pupil Expenditure

Figure I shows the distribution under current allocations, and Figure II shows the distribution resulting from our projections of reallocation (present per-pupil expenditure and adjusted per-pupil expenditure, respectively).

The projected reallocation has the gross effect of shifting the distribution toward the lower side of the scale. The resulting distribution (Figure II) is noticeably more balanced (symmetrical) than the current distribution (Figure I). As stated earlier the median value for current expenditures is \$1,489/pupil. The median for adjusted expenditures is a slightly lower value of \$1,446/pupil. The single most notable effect of projected adjustments is a considerable increase in the number of schools which would fall in the range of \$1,000 to \$1,250 per-pupil. A more detailed examination of the schools in this range (after adjustments) reveals that 60 (56%) of them remain at levels above \$1,125/pupil. The adjustment results in only nine schools with funding less than \$1,000/pupil. Of these, five are branch sites. Branch sites are not usually staffed with special education and other auxiliary teachers or the regular complement of clerical and maintenance staff; and they are almost always smaller physical facilities. All of which is to say that low expenditure levels may be entirely appropriate for branches. The unit with the lowest adjusted expenditure is the same school with the lowest appropriation per-pupil under current allocations. It too is a branch of a larger school and its resulting allotment of \$667/pupil is the only case falling below the current minimum.

After our adjustment of per-pupil expenditures in the 475 schools, the correlation with disadvantaged enrollments is .64. If the Educational Fund were apportioned among the individual schools according to our projections, the concentration of disadvantaged pupils would account for 41% of the school-by-school variation. Disadvantaged enrollments currently accounts for none of the variation in Educational Fund appropriations.

Loss of Funds at Some Schools and Effects Upon Class Sizes

In considering how much money would be lost of individual schools by these adjustments, it is more appropriate to consider their losses from unit appropriations only, rather than to include losses of district-wide and system-wide funds as well. For the sub-districts the losses of some schools are usually offset to some degree by the gains of others. And for system-wide expenditures the notion of losses and gains to individual schools is entirely meaningless. The greatest loss to an individual school, from its current unit appropriation is an amount of \$518/pupil, which is lost by a school with a current unit appropriation of \$2,402/pupil. For comparison to expenditures for other schools, as shown in Figures I and II, this school begins with a total share of the Educational Fund of \$3,724/pupil, and after a total loss of \$803/pupil retains a total expenditure of \$2,921/pupil.

There are a total of 288 schools which would lose funds according to the adjustment reported here (187 schools would gain funds). Of the 288 "overfunded" schools, only 59 (20%) would lose unit appropriated funds in excess of \$200/pupil. Only 16 schools would lose more than \$300/pupil, none would have a resulting total appropriation of less than \$1,500/pupil. Eleven of the 16 would retain a total allocation in excess of \$2,000 pupil.

When Supt. Hannon made his first claims about the "intolerable" effects of redistributing equalizer funds, they were based upon the worst conceivable manner of effecting the redistribution, which is to do so entirely by reassigning regular classroom teachers. That method of redistribution would indeed be intolerable, not only for its effects upon losing schools but also for the reason that by itself it is non-programmatic and nothing more than a way of carrying money from one place to another.

As stated earlier we have heard no more of such talk since the Chicago Urban League offered a documented rebuttal to the Superintendent several weeks ago. But the argument has reappeared, less specifically, and more subtly, in a recent discussion of the equalizer funds issue which was presented in writing by State Superintendent Cronin for consideration by the State Board. In Cronin's words, some school systems have claimed they would suffer "automatic deficits" if they had to appropriate equalizer bonuses solely to the benefit of disadvantaged pupils. This way of stating the purported effect is quite curious, for it must be entirely clear to everyone that this issue does not concern expenditure of anything more than local school systems are currently receiving. We have been straightforward throughout in acknowledging that some schools would have to lose funds, given current conditions where some schools are entirely without disadvantaged pupils and others are filled completely with children from low income families.

What is in question is how the required reallocation may be effected: How can you take money from schools in more affluent neighborhoods with

the least possible damage to their programs and services? As we pointed out earlier some portion of the losses should come from district-wide and system-wide appropriations. As for unit appropriations, losses should be taken for everything from principals to facilities maintenance. The only imaginable reason for a proposal that losses be suffered entirely for the most essential item of a teacher for a classroom is to make the whole effort of redistribution as unattractive as possible.

For just one more time, we will focus here on possible losses of regular teachers from overfunded schools, and concomitant increases in class sizes. In our earlier public statements we estimated that no more than 75% of reallocated funds should take the form of teacher salaries. After more careful study we can safely propose that it be considerably less than that. An educated guess is that at the very most there are 10,500 regular classroom teachers in the 475 schools that we have studied. This estimate is translated from a very liberal allowance that the average class size among these schools is less than 29 pupils to a teacher. At an average total salary (including fringe benefits) of \$17,000 (another liberal figure) the estimated number of teachers would cost \$178.5 million, which is only 39% of the total Educational Fund appropriation to these schools.

Assuming that losses can be taken by reductions across the board, no more than 40% (again, being sure not to underestimate the effect) of the funds lost by an individual school should result in actual reassignment of regular teachers. If one is skeptical about a percentage as low as this, it should be kept in mind that an average of 32% of Educational Fund appropriations are spent outside of the school unit. Also not included

in the 40% of expenditure for regular teachers are unit appropriations for auxiliary teachers, principals, special education teachers, and clerical and maintenance staff. And since we have estimated the number and cost of regular teachers based upon a very low student/teacher ratio, we are also in effect excluding kindergarten and other pre-school program costs.

Using a constant value for the salary of a regular teacher, the following formula may be applied for determining the increase in class size which would result from any given loss of regular teacher funds as measured on a per-pupil basis:

$$\text{Class Size Increment} = \frac{\text{Fund Loss} \times \text{Present Class Size}^2}{\text{Teacher Salary} - (\text{Fund Loss} \times \text{Present Class Size})}$$

Which for simplicity's sake may be translated to the following notational form:

$$\text{form: } \text{CSI} = \frac{\Delta F \times \text{CS}_0^2}{\text{TS} - (\Delta F \times \text{CS}_0)}$$

With respect to the 40% limitation on reductions for determining effects upon regular teaching personnel, the value of ΔF , as the formula is applied here, is established as: $\Delta F = \text{Total Fund Loss} \times .40$. This formula can be applied for increases in funds as well as for losses.

In all cases "Fund Loss" is a per-pupil measure. There are only 15 schools which lose a total amount of more than \$450/pupil by our projected adjustments, meaning that they lose at least \$180/pupil in appropriations for regular classroom teachers. Assuming that these schools currently have class sizes of about 30 students to a teacher the formula produces a minimum increment of 13.9 pupils -- meaning that the resulting class sizes in these schools would be equal to or greater than 44 pupils to a teacher. These would admittedly be undesirably large class sizes. The greatest

loss suffered by an individual school is \$803/pupil, or \$305/pupil in regular teacher appropriations. This loss would result in estimated class sizes in that school of 65 pupils. That certainly would be intolerable.

If we limit projected adjustments so that no school loses a total of more than \$250/pupil (\$100/pupil in regular teacher costs) we would thereby set an estimated class size limit of approximately 36 pupils to a teacher. Following the simple straightforward methods employed so far, this would mean that a certain sum of money within individual schools might be exempted from reallocation. That sum would be equal to the total amount of overfunding which is in excess of the \$250/pupil limit on reductions. The sum which would thereby be exempted has been precisely calculated as \$1.95 million which is just a bit less than 2% of the total equalizer bonus.

The summary point, then, is that 98% of the equalizer bonus could be properly allocated without any school having class sizes greater than 36 pupils to a teacher. Classes of this size might be reduced further by reassigning auxiliary teachers who would remain in the overfunded schools after reallocation.

And this projection of possibilities for reallocation is the result of a stringently oversimplified set of procedures, which bring us back to the point emphasized in introducing the present discussion. What we are providing here are rigidly systematic projections of what the system can bear. In an actual reallocation of funds, based on redefinition and re-design of school programs, every school might be an exception, in one way or another, to our projection rules. Perhaps the better indication (certainly the simpler one) that Chicago schools could be equitably operated after a

reallocation of the equalizer bonus, is the fact that all but one school would retain a level of funding which is in the presently established range. If schools are being equitably operated now then that should continue to be true inspite of some adjustment in the overall distribution of schools on the scale of per-pupil funding.

What would almost certainly be required are program adjustments in schools with very low percentages of disadvantaged pupils, to accompany programmatic adjustments in schools with high concentrations of disadvantaged children. We reiterate that the primary interest of the Chicago Urban League in this whole issue of equalizer funds is to see educational programs planned and implemented based upon assessments of educational needs as related to the socio-economic status of school children. The formal educational needs of more affluent children should be specially assessed and defined in direct complement to such an assessment for children from low-income families and neighborhoods.

On the Equalizer Issue in Relation to School Desegregation

Since the preparation of this report was begun the Chicago Board of Education has indicated that it is willing to reallocate equalizer funds over a three year period. The Board reached this decision in closed session as a direct effort to settle a suit filed by Operation PUSH in state circuit court in Chicago. In the most recent court session (March 18), attorneys for the board argued that it has now become established policy of the Board that the bonus resources are to be aimed specifically at educating disadvantaged children. On these grounds the Board attorneys argued further that the complaint of Operation PUSH has been rendered null and void.

It is curious that the Chicago board has yet to state this policy decision in an open session. We are even more curious as to what has become of Supt. Hannon's claim that the redistribution could not be practically accomplished. It is our understanding that the Board decided that it would agree to redistribution after a majority of the members were convinced that a policy of allocating the equalizer bonus to disadvantaged children only, might provide an incentive to racial desegregation of the schools. The logic here is that a redistribution of children would avoid the need to redistribute the money. This recognizes, of course, that race and class are virtually synonymous for Chicago public school children.

If such a strategy were successfully pursued, it would render much of our discussion about practical possibilities of redistribution vacuous. But it is not our intention to hold up one policy as a negative incentive to another. While realizing full well the connection between the equalizer funds issue and that of desegregation, we disagree that they are effectively either/or alternatives.

Throughout this report we have pointedly refrained from equating matters of socio-economic class with matters of race. The fact that an overwhelming majority of disadvantaged children in Chicago are also non-white does not make race the basis for identifying the unique educational needs of which we have been speaking. In this report, our concern is not for cultural and ethnic studies, nor for educational promotion of intra or inter-group respect and understanding, though we do not devalue these kinds of educational needs. It is simply more important that

education effect a development of basic intellectual skills. Our more immediate concern is that Chicago school children learn to read, write, add and subtract. Moreover a reasonably successful desegregation effort in the city schools would only affect that part of our proposals which involves demographically based redistribution of funds. Even if every school in the system were optimally desegregated by race they would not all necessarily be desegregated by class. And even if that were the case it would not obviate the need for educational programs and services patterned after socio-economically related needs of school children.

The Need for a State Policy on the Equalizer Bonus: Current Choices

We hope that the presentations in this report have laid to rest some misconceptions concerning the source and possible uses of equalizer funds generated by the weighting of disadvantaged pupils. We would also like to think that we have argued convincingly for special regulations regarding receipt and expenditure of the equalizer bonus by local school systems. As mentioned earlier, State Superintendent Cronin has charged the State Board of Education with the task of clarifying his authority to institute and enforce such regulations. At the same time he offered the Board a new set of guidelines, which might replace the interim rules mentioned earlier. These new rules and regulations indicate more clearly that the equalizer bonus is intended to support programs for disadvantaged students in particular. They also go much further in specifying acceptable components of a plan and the accounting procedures for earmarking the supportive funds.

Under the present language of Article 18-8 of the School Code, the Superintendent is authorized to institute guidelines for plans for the improvement of instruction. But should those guidelines require instructional programs expressly for disadvantaged children, the Superintendent

finds himself without authority to enforce such a rule over possible opposition of some local districts. Cronin may be right in this judgment, especially that the law must at least be made clear on precisely whose instruction may be improved with the bonus, and before the State Board can approve the new rules they may first have to seek a statutory requirement that the equalizer bonus be spent specifically for compensatory programs for disadvantaged students.

To his credit, Dr. Cronin has recognized that the question underlying the equalizer funds controversy is whether the State authorities shall require local school districts to institute compensatory programs for disadvantaged pupils. Thus he has alerted the State Board to a second possibility for achieving that end, which would separate the issue of compensatory education from that of general state aid appropriations. This could be accomplished by bringing to life Article 14B of the School Code which is on the books but has never been funded. 14B is essentially a state version of Title I of ESEA. To put it into effect would require the institution of an entirely new fund category at both the state and local levels.

After some consideration we find this second option unattractive for the following reasons:

- 1) Entirely new legislation for fiscal appropriations would be required, probably including some negative adjustment in the Distributive Fund as determined by the equalizer formula.
- 2) Some amount of the money which might be appropriated for 14B would almost certainly have to go to the support of a state bureau.

- 3) Most important of all, 14B implies rigid categorical restrictions upon local funds, further encroaching upon local discretion in fiscal planning.

In point number 3, we are not only talking about the discretion of local school officials, for we feel that the most important provision that the law or administrative guidelines should institute is for local citizens' participation in the planning and evaluation of compensatory programs.

Urban League Recommendations for State Policy

As we must have made clear already, the Chicago Urban League would object very strongly to a decision by the State Board of Education that the equalizer bonus is intended for general needs in the larger, urban school districts in the state, and that the expenditure of the bonus may continue to be unrestricted and unregulated. We recommend the following to the State Board of Education and to the State Superintendent:

- 1) That the Board seek an amendment to Article 18-8 of the School Code so that it states unequivocally that the amount of general aid which a district receives by virtue of the allowed weighting of disadvantaged pupils is intended for the support of compensatory programs for disadvantaged pupils.
- 2) That a requirement for planning and accounting of the expenditure of the bonus be continued. The exemption of some districts from this requirement, however, should be by a criterion other than total enrollment in the local district (currently 18-8 requires a plan from only those districts with enrollment of 10,000 or more pupils). The planning and accounting requirement should depend upon the percentage of disadvantaged children in the local district.

That percentage should be established so as to identify districts which are likely to have individual attendance centers which are predominantly or exclusively attended by disadvantaged pupils.

- 3) Specification of planning and accounting procedures should be left to the State Superintendent, taking the general form of guidelines such as those most recently proposed by Supt. Cronin.
- 4) That those districts which are required to submit plans and accounts be further required to institute provisions for citizens involvement in planning and evaluation procedures. The State Board should consult legal counsel for advice as to whether or not this requirement should also be statutory (included in the language of 18-8).

We place special emphasis on the last one of these recommendations. Supt. Cronin's most recently proposed guidelines are notably lacking of any provision for parent and other community involvement in the determination of what will be acceptable program expenditures of the equalizer bonus. It would seem to us that such provisions could be included in these guidelines as they are in the rules and regulations regarding school desegregation.

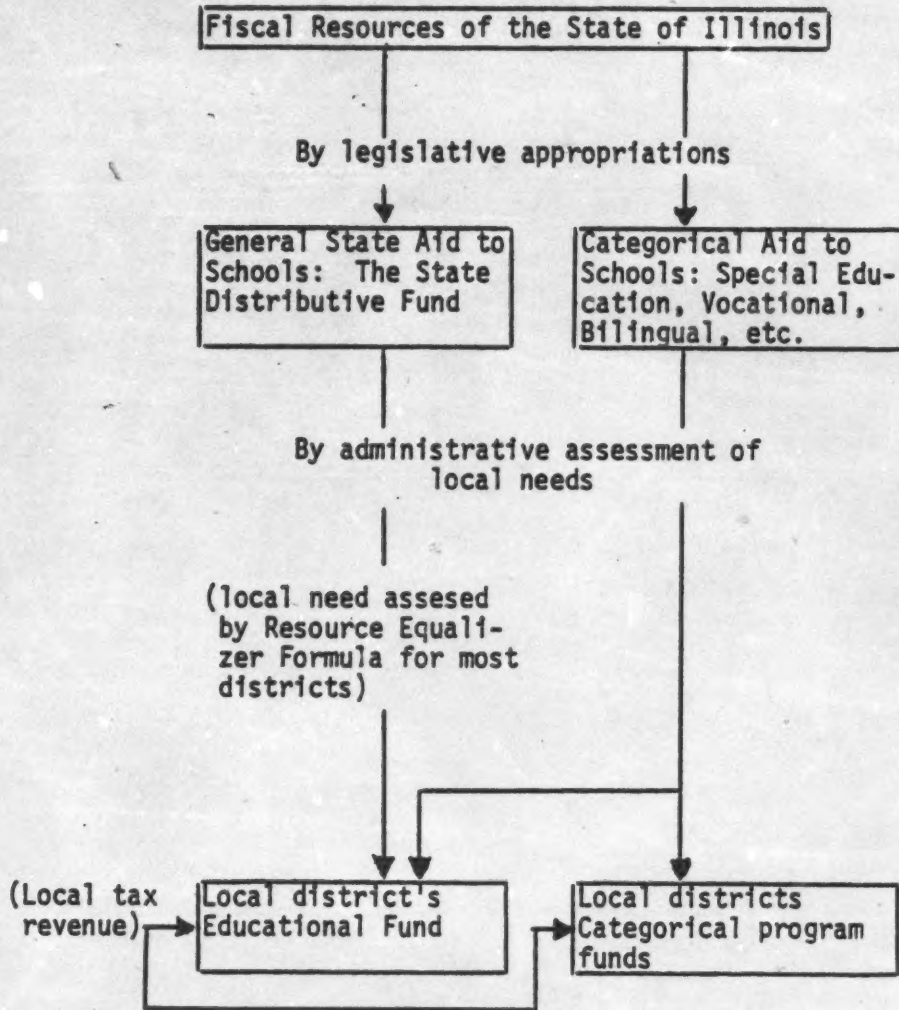
With minor revisions, the law and administrative rules concerning the equalizer bonus can provide an excellent opportunity for cooperative efforts by school authorities and interested citizens which for once might focus upon substantive matters of instructional philosophy, content and methods, and which might be refreshingly free of overbearing bureaucratic control. We are loath to see compensatory programs designed and implemented within a closed process of dialogue and negotiation between local and state officials and their expert academic hirelings; which might

shut out parents and front line school personnel whose knowledge of what is and is not effective teaching is significantly more intimate and continuous. Formal and official processes of cooperative planning need not be so often as every year. It may be that successful implementation of plans and meaningful evaluations would require as much as two-year periods of unimpeded program operations.

Finally, we do not think it should be made a duty of local school boards to see to it that outside parties are involved in planning and evaluation. The privilege to such involvement should be insured, but the final responsibility for citizens' actual participation should be their own. The Chicago Urban League, for one, stands fully willing and able to participate in planning and evaluation of compensatory education programs. We would do so both directly and by organization and motivation of other groups and individuals. Our general knowledge of citizens' interest in education suggests that there are many others in the city of Chicago who are similarly willing and eager.

APPENDIX

I. STATE AND LOCAL EDUCATION FUNDS



II Procedure for Determining Educational Fund Entitlements for Each of the
475 Elementary Schools

- 1) Determine the total amount of equalizer bonus money which should be included in the Educational Fund appropriations for the 475 elementary schools, by multiplying the total number of Title I eligibles in these schools by \$815.

Total disadvantaged in the 475 schools	130,046
Bonus revenue/pupil	<u>X 815</u>
Bonus revenue in the 475 schools	\$105,987,490

- 2) Determine the percentage of total Education Fund expenditure in the schools which is equalizer bonus.

Bonus revenue	\$105,987,490
Total Expenditure	458,799,392
Bonus percentage	23.1%

- 3) Using the inverse of the bonus percentage factor (i.e., the proportion of total expenditure which is not equalizer bonus) determine the base entitlement of each school as a constant percentage of currently forecast Educational Fund expenditure for the school.

Current expenditure for school	(VARIABLE)
Percentage of non-bonus revenue	<u>X .76899</u>
Base entitlement	(VARIABLE)

- 4) Determine total entitlement as base entitlement plus \$815 for each Title I eligible, for each school.

Base entitlement + (Number disadvantaged X \$815)
= Total Educational Fund Entitlement for individual school.